

Gartner.

1st in Series

Maintaining IT services During Lean Budget-Cutting Years:
First of a series of DTS-Gartner 2008 Technology Day Topics

Date/Time: January 9th, 1:15 to 2:45 PM

Presenters: **Teri Takai**, California's State CIO
Clark Kiebo, California's former State CIO
Barbara Gomoluk, Research VP, Gartner

Location: Secretary of State, Multi-Purpose Room,
1900 11th Street, Sacramento

Speaker Bio:
Barbara Gomoluk is a research vice president in Gartner. She is responsible for Gartner's annual IT Spending and Spending survey, and works extensively with clients on issues of budgeting and benchmarking IT spending. In her current role, Ms. Gomoluk has become known as a knowledgeable source for insights on IT financial issues, and she is widely quoted in industry publications. She also writes a monthly column for Computerworld. Prior to joining Gartner, Ms. Gomoluk was a research director at Gartner Institute, a Gartner-owned company that developed vendor-neutral IT certifications. Previously, Ms. Gomoluk had a long career as a writer and editor covering topics such as databases, hardware, email and IT services. Throughout her career, Ms. Gomoluk has written and consulted for leading computing industry vendors.

Please RSVP to:
<http://www.dts.ca.gov/About/Registration/default.asp?id=1512>

Michael Ochoa
Dept. of Technology Services
916-454-8080

Mark Struckman
Gartner
910-414-2253

PUBLIC SECTOR ONLY EVENT

DTS Department of Technology Services

Introduction

- **Welcome!**
 - **Glen Matsuoka,**
Administration Division Director, DTS
 - **Presentation Slides will be available on the DTS website soon.**
 - **Please complete your Evaluation Surveys!**

DTS Department of Technology Services

Agenda

- 12:45 - 1:15 Registration
- 1:15 - 1:25 Welcome and Introductions - Glen Matsuoka,
Administration Division Director, DTS
- 1:25 - 1:35 Prelude to Maintaining IT services During Lean
Budget-Cutting Years; CIO Perspective
 - Teri Takai, State CIO
 - Clark Kelso, former State CIO
- 1:35 - 1:40 Introduction of Gartner Research VP
 - Glen Matsuoka, Administration Division
Director, DTS
- 1:40 - 2:30 Maintaining IT services During Lean Budget-
Cutting Years
 - Gartner Research VP, Barbara Gomolski
- 2:30 - 2:45 Questions and Answers / T-Day End



DTS Events

- We've seen over 1500 of you at our 20 events in the last year!
 - Technology Days (like today)
 - We consider this a service in itself

We also host.....

- Customer Forums
 - To interface directly with you
- User Groups
 - To establish regular work groups across organizations



DTS Coming Events

- Mainframe Service Continuity User Group Event (Thursday, January 17)
- Quarterly IT Security Forum (Wednesday, February 13)



Prelude to Maintaining IT services During Lean Budget-Cutting Years;

CIO Perspective

- Teri Takai, State CIO
- Clark Kelso, former State CIO



Introduction of Gartner Research VP

Barbara Gomolski



Best Practices in IT Cost Management

Barb Gomolski, Research Vice President

January 9, 2008

Notes accompany this presentation. Please select Notes Page view.
These materials can be reproduced only with written approval from Gartner.
Such approvals must be requested via e-mail: vendor.relations@gartner.com.
Gartner is a registered trademark of Gartner, Inc. or its affiliates.

Gartner

Gartner Predictions: True or False

- Gartner estimates that as much as 15 percent of IT spending is wasted
- **False; it's 25%**
- Gartner predicts that by 2010, the average total cost of ownership (TCO) of new PCs will fall by 50%.
- **True**
- According to Gartner, organizations will waste \$10 billion buying the wrong networking technologies and services through 2011.
- **False; we believe they'll waste 100 billion**
- Gartner estimates that through 2010, IT organizations without stringent risk-assessment procedures will cancel at least 10% of the projects initially budgeted at more than \$200,000, and at least 20% of all projects.
- **True**

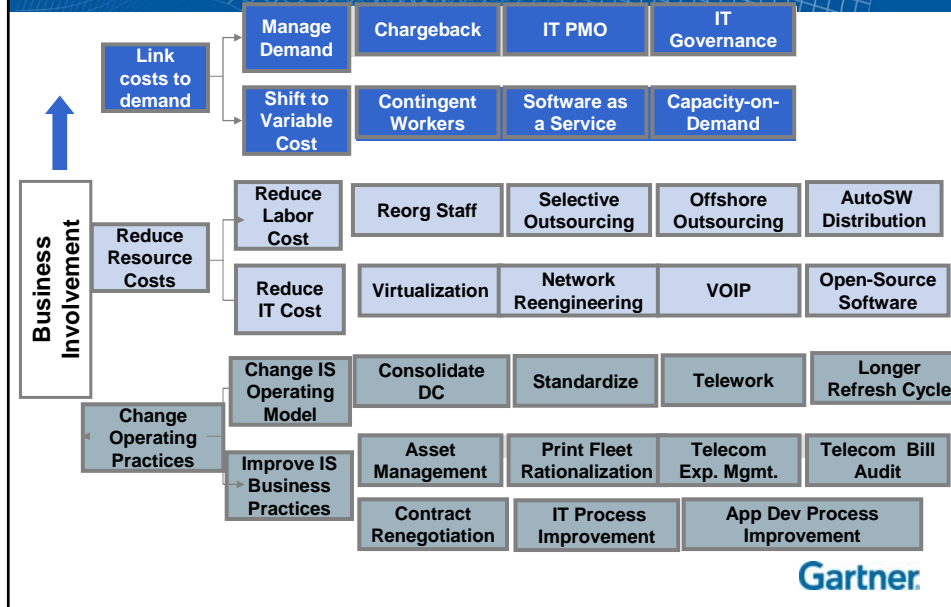
Gartner.

Top 10 Causes of High IT Costs

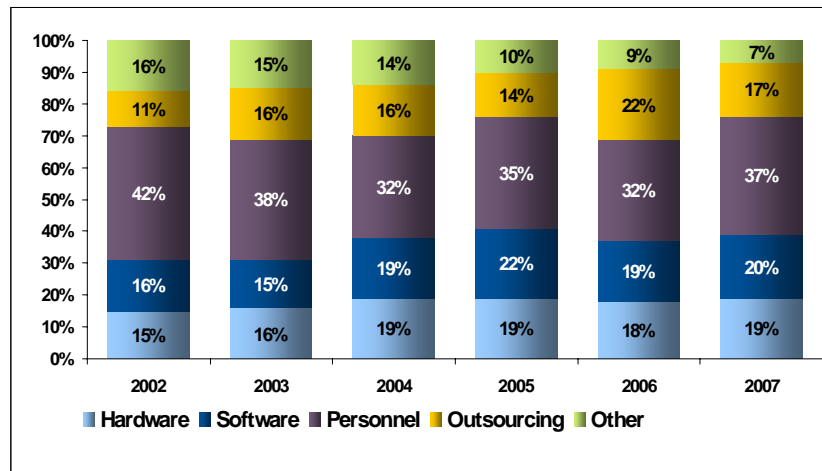
1. Redundant and non-standard systems
2. No mechanism to control demand for IT; no SLAs
3. Bloated application portfolios (with lots of custom software)
4. Misaligned staff; poor leverage of people; inappropriate use of contract labor
5. Poor IT processes
6. Chaotic purchasing and tracking of IT assets
7. Weak project prioritization and management practices (too many of the wrong projects are still being done)
8. A lack of visibility into IT costs
9. High levels of "hidden" spending
10. Failure to push IT-related costs back to the "business"

Gartner.

25 Cost Containment Techniques



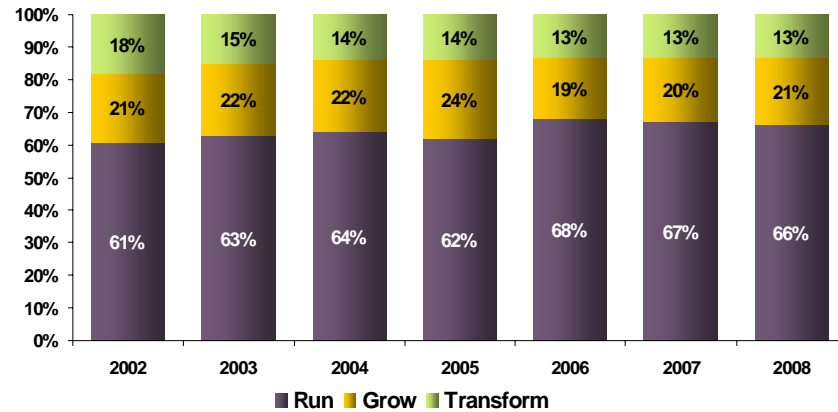
Historical Spending by Resource Category



Source: Gartner IT Key Metrics Data

Gartner

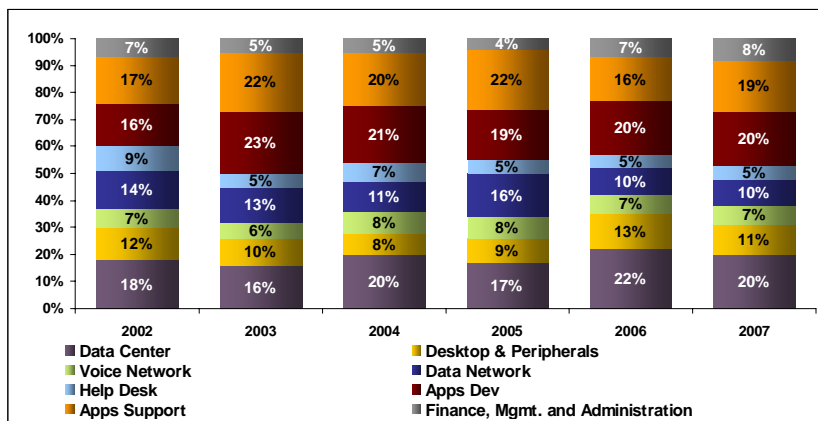
Historical Spending: Run, Grow, Transform



Source: Gartner IT Key Metrics Data

Gartner

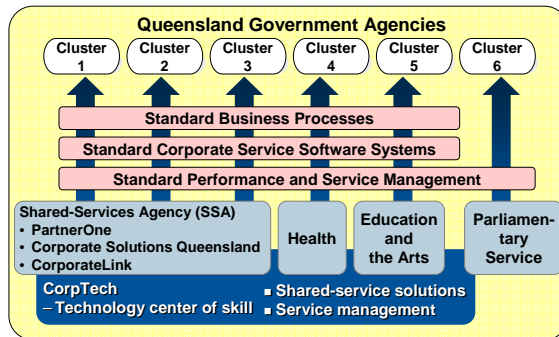
Historical Spending by IT Domain



Source: Gartner IT Key Metrics Data

Gartner

Case Study: Queensland Shared-Service Initiative



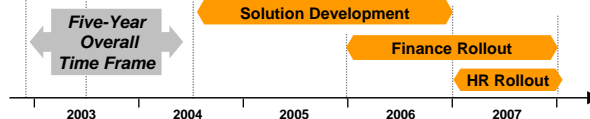
A Very Big Initiative

- Over 100 agencies
- HR, finance, procurement, document and records mgmt., and more
- Targeted to save \$100+ million annually
- Strong but shared overall governance arrangements

The Model Is Evolving

- Six shared-service providers, being consolidated to four
- Treasury: A stronger role

- Dec 02 — Government decision to implement shared services
- July 03 — Shared-service providers established
- July 04 — HR/Finance process reviews done



The Biggest Challenge Is Now Coming

Gartner

Case Study: U.S. Federal Government's Line of Business Initiatives

The President's e-Government Initiatives

- Government to Citizen
- Government to Business
- Government to Government
- Internal Efficiency & Effectiveness
- E-Authentication

Line of Business (LOB) Initiatives

1. Grants Management (GM)
 2. Budget Formulation and Execution (BFE)
 3. Case Management (CM)
 4. Financial Management (FM)
 5. Human Resources Management (HR)
 6. Geospatial LOB
 7. Federal Health Architecture (FHA)
 8. Information Systems Security (ISS)
 9. IT Infrastructure (IOI)
- Domain-based processes
- "Horizontal" processes
- Enabling capabilities
- IT platform

Challenges:

- Utilizing — or creating — the necessary 'interests-in-common' amongst varying agencies (for example differing size and/or focus)
- Orchestrating the various initiatives to implement and deliver services in concert
- Dealing with factional interests and partial realization of goals and timelines.

Gartner

Hard Lessons From Experiences in the Public Sector

- Shared services are not technology projects, they are about **business change**. Business and technical engagement is needed throughout.
- There is a need to build **consensus** which takes time and effort, especially around **stakeholder management**.
- A strong **business case** is a powerful facilitator for change. Sound baseline data provides a vital underpinning.
- **Funding** is problematic and often insufficient for the expected outcomes. Work very hard to ensure budgets and funds are adequate.
- **Effective communications** are vital. From the outset, rumours will spread very fast. Your programme must manage this.
- In government, the required **cultural change** is a significant barrier to success and must be thoroughly addressed.
- Getting **high-quality internal staff** engaged in the project is critical. This is often a primary reason that initiatives don't succeed.

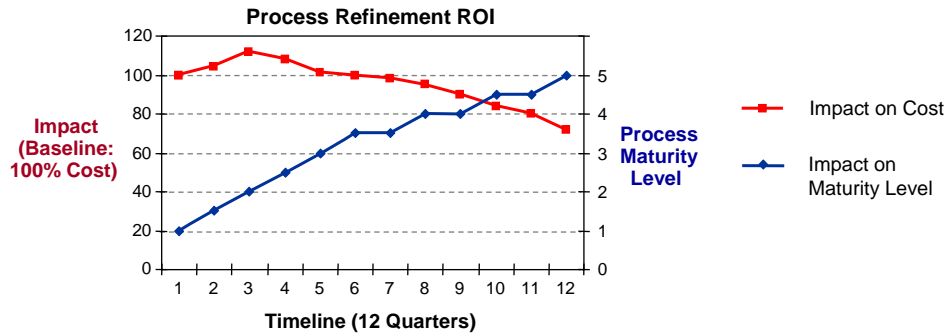
Gartner

Good Change Management Is Crucial

- **Large-scale change is normally involved. Respect that.**
 - Plan to spend more time on organizational change readiness than on vendor selection and contracts.
- **Assemble a strong "services initiative" change team.**
 - Look for solid leaders, holistic thinkers and relationship builders.
 - Orchestrate changes through program management.
- **Manage the volume, pace and intensity of changes.**
 - Change fatigue will undermine success and increase resistance.
- **Communicate with accountability.**
 - Treat others as you would wish to be treated.
- **Strengthen departmental and enterprise processes.**
 - The clearer and stronger the processes, the smoother the transition.

Gartner

Process Maturity Versus Service Quality and Cost



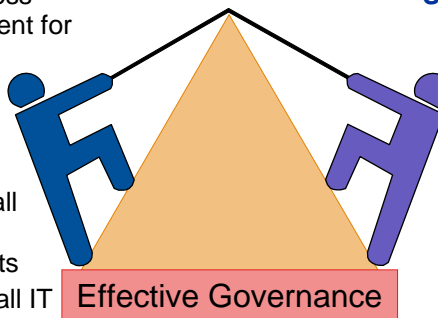
- Refining and optimizing IT processes improves service levels and efficiency within 5 quarters. Substantial reductions in overall operating costs of up to 28% can be achieved over 12 quarters.

Gartner

Governance Balances Investments in Supply With Demand

Demand Management

- Establish policies to maximize leverage
- Ensure business and IT alignment for
 - Projects
 - Budgets
 - Resource planning
- Resolve overall and inter-BU priority conflicts
- Oversee overall IT expenditures
 - Capital/expense budgets
 - BU IT spending



Supply Management

- Ownership/usage policy — infrastructure, applications, data
- Strategic alignment
- Architecture policy
- Supplier policies — sourcing strategies
- Security policy
- Pricing strategies
- Funding strategies

Gartner

Recommendations

- Pluck the low-hanging fruit (standardize, consolidate, etc.)
- Make purchasing and tracking of IT assets pay off
- Employ process disciplines — to get more from limited resources
- Manage all your portfolios — infrastructure; applications; investments; IP and skills; services
- Look at hidden spending as a mechanism for reducing IT costs
- Employ IT cost management best practices—with help from finance
- Exploit the external relationships you already have (e.g., if you subscribe to IT research, use it to optimize vendor contracts and speed-up creation of strategies.)

Gartner

What to do on Monday

- Review all third-party staff (contractors) to determine if any can be released (cost savings begins with the next monthly billing cycle)
- Stop acquiring any new hardware such as PCs, servers, network equipment (cost avoidance)
- If additional equipment is absolutely necessary, buy used rather than new
- Implement server virtualization and sell the servers that are freed up on the used market
- Automate tasks (by writing scripts if tools aren't available)
- Redeploy servers that were clustered for high availability to be used by separate applications (will impact application availability)
- Renegotiate any service level agreements with customers (to set expectations for lower quality to save money)

Gartner

Thank you